

MIDLAND COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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MIDLAND COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Clay Pestka	President	2015
Carol Reilly	Vice President	2013
Carol Andresen	Board Member	2013
Kevin Cullum	Board Member	2013
Tim Kreel	Board Member	2013
Terry Lineburg	Board Member	2015
Thomas Orr	Board Member	2015

(After September 2013 Election)

Clay Pestka	President	2015
Thomas Orr	Vice President	2015
Keith Larson	Board Member	2017
Kevin Cullum	Board Member	2015
Dawn Rupp	Board Member	2017
Terry Lineburg	Board Member	2015
Roberta Rupp	Board Member	2017

School Officials

Brian Rodenberg	Superintendent
Marcy Gillmore	District Secretary/Treasurer

Gary E. Horton CPA

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Clarion, IA 50525-0384
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BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Midland Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District, Wyoming, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District as of June 30, 2014,

and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midland Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2015 on our consideration of Midland Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Midland Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Midland Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,408,360 in fiscal 2013 to \$5,875,234 in fiscal 2014, while General Fund expenditures decreased from \$6,036,071 in fiscal 2013 to \$5,953,576 in fiscal 2014. The District's General Fund balance decreased from \$1,644,441 in fiscal 2013 to \$1,574,610 in fiscal 2014.
- The fiscal year 2014 increase in General Fund revenue was attributable to a decrease in property tax, federal grant revenue and a decrease in enrollment. The decrease in expenditures was primarily to an increase in negotiated salaries and benefits and maintenance of staffing levels.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Midland Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Midland Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Midland Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Midland Community School District Annual Financial Report

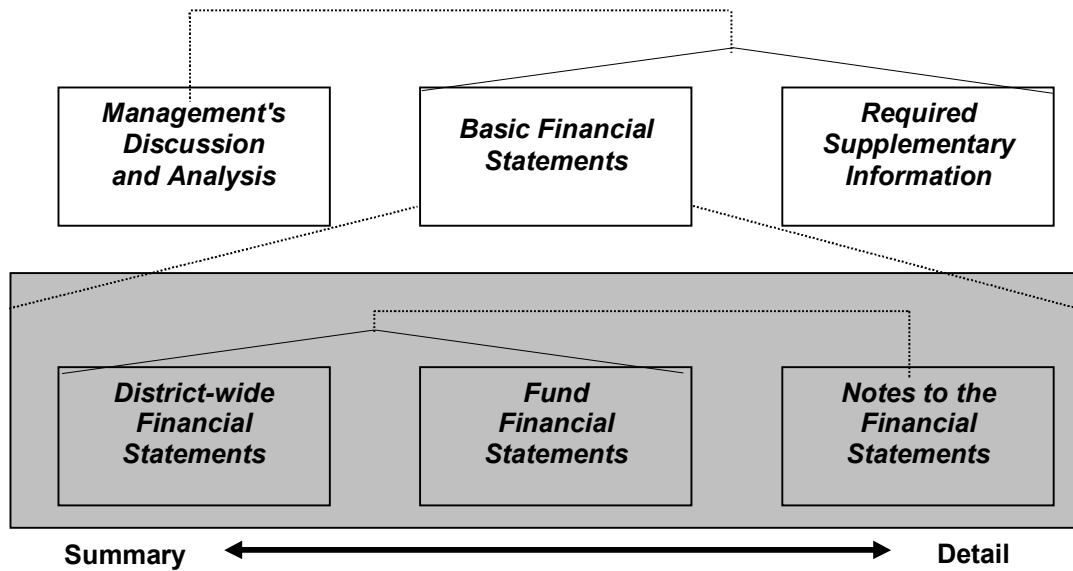


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

Private-Purpose Trust Fund . The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,634,634	6,541,299	53,364	55,255	6,687,998	6,596,554	-1%
Capital assets	5,024,122	4,834,926	64,574	56,753	5,088,696	4,891,679	-4%
Total assets	11,658,756	11,376,225	117,938	112,008	11,776,694	11,488,233	-2%
Long-term liabilities	4,146,220	3,946,223	-	-	4,146,220	3,946,223	-5%
Other liabilities	1,058,362	825,461	10,706	21,942	1,069,068	847,403	-21%
Total liabilities	5,204,582	4,771,684	10,706	21,942	5,215,288	4,793,626	-8%
Deferred inflows of resources	2,210,241	2,348,232	3,161	2,974	2,213,402	2,351,206	6%
Net Position:							
Net investment in capital assets	1,255,963	1,207,194	64,574	56,753	1,320,537	1,263,947	-4%
Restricted	1,258,721	1,231,092	-	-	1,258,721	1,231,092	-2%
Unrestricted	1,729,249	1,818,023	39,497	30,339	1,768,746	1,848,362	5%
TOTAL NET POSITION	4,243,933	4,256,309	104,071	87,092	4,348,004	4,343,401	<-1%

The District's combined net position decreased less than 1%, or \$4,603 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$27,629 or 2% from the prior year.

Unrestricted net position . the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . increased \$79,616, or 5%. This increase in unrestricted net position was primarily a result of a decrease in the General Fund balance and an increase in expenditures.

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	325,084	529,602	105,892	139,322	430,976	668,924	55%
Operating grants & contributions	977,467	948,100	141,550	153,763	1,119,017	1,101,863	-2%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	2,281,354	2,211,642	-	-	2,281,354	2,211,642	-3%
Income Surtax	286,111	345,650	-	-	286,111	345,650	21%
Statewide sales & service tax	435,805	483,565	-	-	435,805	483,565	11%
Unrestricted state grants	2,061,391	2,408,038	-	-	2,061,391	2,408,038	17%
Unrestricted investment earnings	4,818	2,931	-	-	4,818	2,931	-39%
Gain on sale of capital assets	-	8,511	-	-	-	8,511	100%
Other revenue	10,693	8,976	-	-	10,693	8,976	-16%
Total Revenues	6,382,723	6,947,015	247,442	293,085	6,630,165	7,240,100	9%
Expenses:							
Instruction	4,557,538	4,036,368	-	-	4,557,538	4,036,368	-11%
Support services	1,977,940	2,256,365	-	-	1,977,940	2,256,365	14%
Non-instructional programs	2,976	2,976	263,967	310,064	266,943	313,040	17%
Other expenditures	582,037	638,930	-	-	582,037	638,930	10%
Total expenses	7,120,491	6,934,639	263,967	310,064	7,384,458	7,244,703	-2%
Change in net position before							
Loss on disposal assets	(737,768)	12,376	(16,525)	(16,979)	(754,293)	(4,603)	99%
Loss on disposal assets	(34,501)	-	-	-	(34,501)	-	100%
Change in net position	(772,269)	12,376	(16,525)	(16,979)	(788,794)	(4,603)	99%
Net position beginning of year	5,016,202	4,243,933	120,596	104,071	5,136,798	4,348,004	-15%
Net position end of year	4,243,933	4,256,309	104,071	87,092	4,348,004	4,343,401	<-1%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,947,015 and expenses were \$6,934,639.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2013 \$	Total Cost of Services 2014 \$	Net Cost of Services 2013 \$	Net Cost of Services 2014 \$
Instruction	4,557,538	4,036,368	3,493,679	2,807,914
Support Services	1,977,940	2,256,365	1,976,398	2,255,373
Non-Instructional	2,976	2,976	2,976	2,976
Other Expenses	582,037	638,930	344,887	390,674
TOTAL	7,120,491	6,934,639	5,817,940	5,456,937

- The cost financed by users of the District's programs was \$529,602.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$948,100.
- The net cost of governmental activities was financed with \$3,040,857 in property and other taxes and \$2,408,038 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$293,085 and expenses were \$310,064. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Midland Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,052,985, below last year's ending fund balances of \$3,096,192.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.

- The General Fund balance decreased from \$1,644,441 to \$1,574,610 due to an increase in negotiated salaries and benefits, reduced revenues, and increased expenditures. The district is reducing its solvency ratio to fall within the acceptable ranges of the Iowa Association of School Boards between 5%-10%.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Statewide Sales, Services and Use Tax account balance decreased by \$101,995 due to general infrastructure repair and maintenance. The District ended fiscal 2014 with a balance of \$406,282. Fiscal 2013 ended with a balance of \$508,277.
 - The Physical Plant and Equipment Levy account balance decreased from \$84,225 at June 30, 2013 to \$28,316 at June 30, 2014.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$104,071 at June 30, 2013 to \$86,627 at June 30, 2014. A large portion of the decrease was due to an increase in operating costs.

BUDGETARY HIGHLIGHTS

Total District revenues were \$332,812 more than budgeted receipts.

Total expenditures were \$289,417 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$4,891,679, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$308,285.

The largest change in capital asset activity during the year occurred in the buildings category and improvements. The District completed several projects including asphaltting the parking lot at both the Wyoming and Oxford Junction sites, installing new entry doors, new lighting system in the gymnasium, new ceiling and lighting in the cafeteria and boiler repairs and maintenance. Equipment and furniture decreased due to disposal of assets.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Land	42,857	42,857	-	-	42,857	42,857	0%
Construction in progress	33,549	-	-	-	33,549	-	-100%
Buildings	3,509,800	3,401,592	-	-	3,509,800	3,401,592	-3%
Improvements	833,586	825,504	-	-	833,586	825,504	-1%
Equipment & Furniture	604,330	564,973	64,575	56,753	668,905	621,726	-7%
TOTAL	5,024,122	4,834,926	64,575	56,753	5,088,697	4,891,679	-4%

Long-Term Debt

At June 30, 2014, the District had \$3,946,223 in revenue bonds, capital loan notes and other long-term debt outstanding. This represents a 5% decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

As of June 30, 2014 the District had revenue bonds payable of \$3,330,000, capital loan notes payable of \$250,000, and capital leases payable of \$47,732. These loans are to be paid with Statewide Sales & Services Tax revenues and Special Revenue, Physical Plant and Equipment Levy Fund.

The District had early retirement benefits of \$173,900 payable from the Special Revenue, Management Levy Fund.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	
Revenue bonds	3,330,000	3,330,000	0%
Capital loan notes	345,000	250,000	-28%
Capital lease	93,159	47,732	-49%
Termination benefits	300,777	173,900	-42%
Net OPEB liability	77,284	144,591	87%
	4,146,220	3,946,223	-5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's total valuation has shown a steady increase over the past 3 years
- Transportation needs are addressed and a new bus has been purchased in Fiscal Year 2014 at a cost of about \$80,000. Vehicles used for special education transportation are starting to be replaced on a rotating basis. The school bus will come out of Physical Plant & Equipment Levy Fund and/or Statewide Sales and Services Tax and the other vehicles will be paid for by Special Education dollars.
- Enrollment for the District is quite uncertain. We tend to have a number of transient students, those that enroll and then midyear move out of the district.
- Negotiated contracts have been settled at a rate higher than allowable growth. Adjustments made to the staff are made to address this situation.
- The District is continuing to manage the cash reserve to be able to absorb shortfalls by the State.
- Additional steps to increase revenue were taken by continuing participation in Iowa School Joint Investment Trust program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Rodenberg, Superintendent, Midland Community School District, 109 Green Street, Wyoming, Iowa, 52362.

BASIC FINANCIAL STATEMENTS

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	3,424,196	51,981	3,476,177
Receivables:			
Property tax:			
Delinquent	29,240	-	29,240
Succeeding year	2,348,232	-	2,348,232
Accounts	10,217	679	10,896
Due from other governments	671,034	-	671,034
Inventories	-	2,595	2,595
Bond issue costs	58,380	-	58,380
Capital assets, net of accumulated depreciation	4,834,926	56,753	4,891,679
Total assets	11,376,225	112,008	11,488,233
Liabilities			
Accounts payable	261,201	2,988	264,189
Salaries and benefits payable	508,437	18,954	527,391
Advances from grantors	100	-	100
Accrued interest payable	55,723	-	55,723
Long-term liabilities:			
Portion due within one year:			
Notes payable	115,000	-	115,000
Capital leases	47,732	-	47,732
Termination benefits	92,090	-	92,090
Portion due after one year:			
Revenue bonds payable	3,330,000	-	3,330,000
Notes payable	135,000	-	135,000
Termination benefits	81,810	-	81,810
Net OPEB liability	144,591	-	144,591
Total liabilities	4,771,684	21,942	4,793,626
Deferred Inflows of Resources			
Unavailable property tax revenue	2,348,232	-	2,348,232
Other	-	2,974	2,974
Total deferred inflows of resources	2,348,232	2,974	2,351,206

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	1,207,194	56,753	1,263,947
Restricted for:			
Categorical funding	19,846	-	19,846
Physical plant and equipment levy	28,316	-	28,316
Student activities	73,025	-	73,025
School infrastructure	333,282	-	333,282
Debt service	776,623	-	776,623
Unrestricted	1,818,023	30,339	1,848,362
Total net position	4,256,309	87,092	4,343,401

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for	Operating Grants,	Capital Grants,
	\$	Services	Contributions and	Contributions
		\$	Restricted Interest	and Restricted
			\$	Interest
				\$
Governmental activities:				
Instruction:				
Regular	2,350,699	321,585	555,785	-
Special	958,598	83,872	63,139	-
Other	727,071	101,733	102,340	-
	<u>4,036,368</u>	<u>507,190</u>	<u>721,264</u>	<u>-</u>
Support services:				
Student	164,799	-	-	-
Instructional staff	149,014	-	-	-
Administration	766,558	-	-	-
Operation and maintenance of plant	472,346	100	-	-
Transportation	703,648	90	802	-
	<u>2,256,365</u>	<u>190</u>	<u>802</u>	<u>-</u>
Non-instructional programs	<u>2,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	156,920	2,405	2,542	-
Long-term debt interest	122,948	19,817	-	-
AEA flowthrough	223,492	-	223,492	-
Depreciation (unallocated)*	135,570	-	-	-
	<u>638,930</u>	<u>22,222</u>	<u>226,034</u>	<u>-</u>
Total governmental activities	<u>6,934,639</u>	<u>529,602</u>	<u>948,100</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	274,263	103,056	153,763	-
Preschool	35,801	36,266	-	-
Total business-type activities	<u>310,064</u>	<u>139,322</u>	<u>153,763</u>	<u>-</u>
Total	<u>7,244,703</u>	<u>668,924</u>	<u>1,101,863</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax tax				
Unrestricted state grants				
Unrestricted investment earnings				
Gain on sale of capital assets				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,473,329)	-	(1,473,329)
(811,587)	-	(811,587)
(522,998)	-	(522,998)
<u>(2,807,914)</u>	<u>-</u>	<u>(2,807,914)</u>
(164,799)	-	(164,799)
(149,014)	-	(149,014)
(766,558)	-	(766,558)
(472,246)	-	(472,246)
(702,756)	-	(702,756)
<u>(2,255,373)</u>	<u>-</u>	<u>(2,255,373)</u>
(2,976)	-	(2,976)
(151,973)	-	(151,973)
(103,131)	-	(103,131)
-	-	-
(135,570)	-	(135,570)
<u>(390,674)</u>	<u>-</u>	<u>(390,674)</u>
(5,456,937)	-	(5,456,937)
-	(17,444)	(17,444)
-	465	465
<u>-</u>	<u>(16,979)</u>	<u>(16,979)</u>
(5,456,937)	(16,979)	(5,473,916)
2,035,216	-	2,035,216
176,426	-	176,426
345,650	-	345,650
483,565	-	483,565
2,408,038	-	2,408,038
2,931	-	2,931
8,511	-	8,511
8,976	-	8,976
<u>5,469,313</u>	<u>-</u>	<u>5,469,313</u>
12,376	(16,979)	(4,603)
<u>4,243,933</u>	<u>104,071</u>	<u>4,348,004</u>
<u>4,256,309</u>	<u>87,092</u>	<u>4,343,401</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	2,111,023	269,946	832,346	210,881	3,424,196
Receivables:					
Property tax:					
Delinquent	23,931	2,332	-	2,977	29,240
Succeeding year	1,927,121	206,111	-	215,000	2,348,232
Accounts	9,524	-	-	693	10,217
Due from other governments	454,027	217,007	-	-	671,034
Total assets	4,525,626	695,396	832,346	429,551	6,482,919
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	248,544	10,121	-	2,536	261,201
Salaries and benefits payable	507,853	-	-	584	508,437
Advances from grantors	100	-	-	-	100
Total liabilities	756,497	10,121	-	3,120	769,738
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,927,121	206,111	-	215,000	2,348,232
Income surtax	267,398	44,566	-	-	311,964
Total deferred inflows of resources	2,194,519	250,677	-	215,000	2,660,196
Fund balances:					
Restricted for:					
Categorical funding	19,846	-	-	-	19,846
Debt service	-	73,000	832,346	-	905,346
Management levy	-	-	-	138,406	138,406
Student activities	-	-	-	73,025	73,025
School infrastructure	-	333,282	-	-	333,282
Physical plant and equipment	-	28,316	-	-	28,316
Unassigned	1,554,764	-	-	-	1,554,764
Total fund balances	1,574,610	434,598	832,346	211,431	3,052,985
Total liabilities, deferred inflows of resources and fund balances	4,525,626	695,396	832,346	429,551	6,482,919

MIDLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	3,052,985
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,834,926
Bond issue costs are reported as an asset in the statement of net position and are amortized over the life of the bonds.	58,380
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	311,964
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(55,723)
Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, and net other post employment benefits liability are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,946,223)</u>
Net position of governmental activities (Exhibit A)	<u><u>4,256,309</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,109,477	176,426	-	225,143	2,511,046
Tuition	292,189	-	-	-	292,189
Other	120,231	2,807	19,817	106,465	249,320
State sources	3,147,362	486,221	-	145	3,633,728
Federal sources	205,975	-	-	-	205,975
Total revenues	<u>5,875,234</u>	<u>665,454</u>	<u>19,817</u>	<u>331,753</u>	<u>6,892,258</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,286,919	21,085	-	77,467	2,385,471
Special	950,680	-	-	-	950,680
Other	631,954	-	-	87,199	719,153
	<u>3,869,553</u>	<u>21,085</u>	<u>-</u>	<u>164,666</u>	<u>4,055,304</u>
Support services:					
Student	160,546	-	-	-	160,546
Instructional staff	133,319	13,056	-	-	146,375
Administration	635,518	21,570	-	94,706	751,794
Operation and maintenance of plant	410,035	-	-	51,418	461,453
Transportation	521,113	79,000	-	14,171	614,284
	<u>1,860,531</u>	<u>113,626</u>	<u>-</u>	<u>160,295</u>	<u>2,134,452</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976</u>	<u>2,976</u>
Other expenditures:					
Facilities acquisition	-	265,841	-	-	265,841
Long-term debt:					
Principal	-	-	140,427	-	140,427
Interest and fiscal charges	-	-	121,484	-	121,484
AEA flowthrough	223,492	-	-	-	223,492
	<u>223,492</u>	<u>265,841</u>	<u>261,911</u>	<u>-</u>	<u>751,244</u>
Total expenditures	<u>5,953,576</u>	<u>400,552</u>	<u>261,911</u>	<u>327,937</u>	<u>6,943,976</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,342)</u>	<u>264,902</u>	<u>(242,094)</u>	<u>3,816</u>	<u>(51,718)</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of equipment and real estate	8,511	-	-	-	8,511
Operating transfers in	-	-	422,806	-	422,806
Operating transfers out	-	(422,806)	-	-	(422,806)
Total other financing sources (uses)	8,511	(422,806)	422,806	-	8,511
Change in fund balances	(69,831)	(157,904)	180,712	3,816	(43,207)
Fund balances beginning of year	1,644,441	592,502	651,634	207,615	3,096,192
Fund balances end of year	1,574,610	434,598	832,346	211,431	3,052,985

MIDLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(43,207)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	108,921	
Depreciation expense	<u>(298,117)</u>	(189,196)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		46,246
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(3,892)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		140,427
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,428
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	126,877	
Other postemployment benefits	<u>(67,307)</u>	59,570
Changes in net position of governmental activities (Exhibit B)		<u><u>12,376</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	51,981
Accounts receivable	679
Inventories	<u>2,595</u>
Total current assets	55,255
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>56,753</u>
Total assets	<u>112,008</u>
Liabilities	
Current liabilities:	
Accounts payable	2,988
Salaries and benefits payable	18,954
Deferred revenue	<u>2,974</u>
Total current liabilities	24,916
Net position	
Investment in capital assets	56,753
Unrestricted	<u>30,339</u>
Total net position	<u><u>87,092</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>139,322</u>
Operating expenses:	
Non-instructional programs:	
Salaries	130,818
Benefits	21,275
Purchased services	6,649
Supplies	141,154
Depreciation	10,168
Total operating expenses	<u>310,064</u>
Operating income (loss)	<u>(170,742)</u>
Non-operating revenues:	
State sources	2,393
Federal sources	151,370
Total non-operating revenues	<u>153,763</u>
Decrease in net position	(16,979)
Net position beginning of year	<u>104,071</u>
Net position end of year	<u><u>87,092</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	100,491
Cash received from preschool services	35,638
Cash paid to employees for services	(143,621)
Cash paid to suppliers for goods or services	(136,006)
Net cash used by operating activities	<u>(143,498)</u>
Cash flows from non-capital financing activities:	
State grants received	2,393
Federal grants received	142,010
Net cash provided by non-capital financing activities	<u>144,403</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	905
Cash and cash equivalents at beginning of year	<u>51,076</u>
Cash and cash equivalents at end of year	<u><u>51,981</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(170,742)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	9,360
Depreciation	7,821
Decrease (increase) in inventories	(327)
Decrease (increase) in accounts receivable	(659)
(Decrease) increase in accounts payable	2,764
(Decrease) increase in salaries and benefits payable	8,472
(Decrease) increase in deferred revenue	(187)
Net cash used by operating activities	<u><u>(143,498)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014 the District received \$9,360 of federal commodities.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	171,854
Liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>171,854</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	144,950
Interest	<u>22</u>
Total additions	<u>144,972</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,140</u>
Change in net position	141,832
Net position beginning of year	<u>30,022</u>
Net position end of year	<u><u>171,854</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Midland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Wyoming, Onslow, Oxford Junction, Lost Nation, Center Junction and Monmouth, Iowa and the predominately agricultural territory in a portion of Jones, Jackson, Clinton and Cedar Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Midland Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Midland Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the enterprise operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable

represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for

and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and non-instructional functions.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Notes	827,752	July 2024

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$610,273 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Governmental, Debt Service Fund	Physical Plant and Equipment Levy	151,504
Governmental, Debt Service Fund	Capital Projects Fund	271,302

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	42,857	-	-	42,857
Construction in progress	33,549	-	33,549	-
	<u>76,406</u>	<u>-</u>	<u>33,549</u>	<u>42,857</u>
Capital assets being depreciated:				
Buildings	5,146,856	-	-	5,146,856
Improvements other than buildings	1,395,901	19,280	-	1,415,181
Furniture and equipment	1,805,541	123,190	-	1,928,731
Total capital assets being deprec.	<u>8,348,298</u>	<u>142,470</u>	<u>-</u>	<u>8,490,768</u>
Less accumulated depreciation for:				
Buildings	1,637,056	108,208	-	1,745,264
Improvements other than buildings	562,315	27,362	-	589,677
Furniture and equipment	1,201,211	162,547	-	1,363,758
Total accumulated depreciation	<u>3,400,582</u>	<u>298,117</u>	<u>-</u>	<u>3,698,699</u>
Total capital assets being depreciated, net	<u>4,947,716</u>	<u>(155,647)</u>	<u>-</u>	<u>4,792,069</u>
Governmental activities capital assets, net	<u>5,024,122</u>	<u>(155,647)</u>	<u>33,549</u>	<u>4,834,926</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	174,299	-	(2,347)	176,645
Less accumulated depreciation	109,724	10,168	-	119,892
Business type activities capital assets, net	64,575	(10,168)	(2,347)	56,753

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	59,111
Support services:	
Student support	1,614
Administration	6,846
Operation and maintenance of plant services	5,612
Transportation	89,364
	162,547
Unallocated depreciation	135,570
Total depreciation expense . governmental activities	298,117
Business type activities:	
Food services	10,168

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	3,330,000	-	-	3,330,000	-
Capital loan note	345,000	-	95,000	250,000	115,000
Capital lease	93,159	-	45,427	47,732	47,732
Termination benefits	300,777	2,187	129,064	173,900	92,090
Net OPEB liability	77,284	67,307	-	144,591	-
Total	4,146,220	69,494	269,491	3,946,223	254,822

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employees' regular contractual salary in effect during the employees' last year of employment.

At June 30, 2014, the District has obligations to ten participants with a total liability of \$173,900. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$129,064.

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	-	-	76,700	76,700
2016	-	-	76,700	76,700
2017	-	-	76,700	76,700
2018	-	-	76,700	76,700
2019	-	-	76,700	76,700
2020-2024	-	-	383,500	383,500
2025	2.95	2,600,000	38,350	2,638,350
		<u>2,600,000</u>	<u>805,350</u>	<u>3,405,350</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,600,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a portion of the costs of school construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Starting July 1, 2010; the District is required to set aside \$178,354 per year in a sinking fund to be used to pay the bonds at maturity. Annual sinking fund and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,405,350. For the current year, no principal and \$76,700 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$483,565.

Year Ending June 30,	Bond Issue of August 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	-	-	29,957	29,957
2016	-	-	29,957	29,957
2017	-	-	29,957	29,957
2018	-	-	29,957	29,957
2019	-	-	29,957	29,957
2020-2024	-	-	149,787	149,787
2025-2029	4.00-4.15	575,000	104,579	679,579
2030	4.20	155,000	3,255	158,255
		<u>730,000</u>	<u>407,406</u>	<u>1,137,406</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$730,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 10% of the statewide sales, services and use tax revenues. The total principal and interest remaining

to be paid on the notes is \$1,137,406. For the current year, no principal and \$29,957 of interest was paid on the bonds.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions: Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

- \$286,232 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

The District issued \$500,000 of capital loan notes during the year ended June 30, 2011. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	1.70	115,000	4,520	119,520
2016	1.90	135,000	2,565	137,565
		<u>250,000</u>	<u>7,085</u>	<u>257,085</u>

During the year ended June 30, 2014 the District made principal and interest payments totaling \$100,850 under the note agreements.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending June 30,	Amount
		\$
	2015	<u>50,154</u>
Minimum lease payments		50,154
Less amount representing interest		<u>2,422</u>
Present value of minimum lease payments		<u><u>47,732</u></u>

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$279,525, \$269,386 and \$233,076 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 51 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	88,628
Interest on net OPEB obligation	1,932
Adjustment to annual required contribution	(5,814)
Annual OPEB cost	84,746
Contributions made	17,439
Increase in net OPEB obligation	67,307
Net OPEB obligation beginning of year	77,284
Net OPEB obligation end of year	144,591

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$17,439 to the medical plan. Plan members eligible for benefits contributed \$20,746, of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
2010	24,948	100%	-
2011	22,775	100%	-
2012	24,166	53%	11,323
2013	140,001	47%	77,284
2014	84,746	21%	144,591

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$490,377, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$490,377. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,200,000, and the ratio of the UAAL to covered payroll was 22.3%. As of June 30, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and

claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$223,492 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance program	9,135
Teacher leadership	2,081
Early literacy	8,630
	<u>19,846</u>

11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	3,052,555	139,322	3,191,877	3,416,069	3,416,069	(224,192)
State sources	3,633,728	2,393	3,636,121	3,156,462	3,156,462	479,659
Federal sources	205,975	151,370	357,345	280,000	280,000	77,345
Total revenues	<u>6,892,258</u>	<u>293,085</u>	<u>7,185,343</u>	<u>6,852,531</u>	<u>6,852,531</u>	<u>332,812</u>
Expenditures/Expenses:						
Instruction	4,055,304	-	4,055,304	4,405,000	4,405,000	349,696
Support services	2,134,452	-	2,134,452	1,975,000	1,975,000	(159,452)
Non-instructional programs	2,976	310,064	313,040	278,000	278,000	(35,040)
Other expenditures	751,244	-	751,244	885,457	885,457	134,213
Total expenditures/expenses	<u>6,943,976</u>	<u>310,064</u>	<u>7,254,040</u>	<u>7,543,457</u>	<u>7,543,457</u>	<u>289,417</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(51,718)	(16,979)	(68,697)	(690,926)	(690,926)	622,229
Other financing sources (uses) net	<u>8,511</u>	<u>-</u>	<u>8,511</u>	<u>650</u>	<u>650</u>	<u>7,861</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(43,207)	(16,979)	(60,186)	(690,276)	(690,276)	630,090
Balance beginning of year	<u>3,096,192</u>	<u>104,071</u>	<u>3,200,263</u>	<u>2,321,479</u>	<u>2,321,479</u>	<u>878,784</u>
Balance end of year	<u><u>3,052,985</u></u>	<u><u>87,092</u></u>	<u><u>3,140,077</u></u>	<u><u>1,631,203</u></u>	<u><u>1,631,203</u></u>	<u><u>1,508,874</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and non instructional functions.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	248,255	248,255	0.0%	2,170,000	11.4%
2011	July 1, 2009	-	208,761	208,761	0.0%	2,039,000	10.2%
2012	July 1, 2009	-	191,950	191,950	0.0%	2,111,000	9.1%
2013	July 1, 2012	-	573,398	573,398	0.0%	2,275,000	25.2%
2014	July 1, 2012	-	490,377	490,377	0.0%	2,200,000	22.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Management Levy	Student Activity	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	136,038	74,843	210,881
Receivables:			
Property tax:			
Delinquent	2,977	-	2,977
Succeeding year	215,000	-	215,000
Accounts	-	693	693
Total assets	354,015	75,536	429,551
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	25	2,511	2,536
Salaries and benefits payable	584	-	584
Total liabilities	609	2,511	3,120
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	215,000	-	215,000
Fund balances:			
Restricted for:			
Management levy	138,406	-	138,406
Student activities	-	73,025	73,025
Total fund balances	138,406	73,025	211,431
Total liabilities, deferred inflows of resources and fund balances	354,015	75,536	429,551

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds		
	Management	Student	
	Levy	Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	225,143	-	225,143
Other	4,607	101,858	106,465
State sources	145	-	145
Total revenues	<u>229,895</u>	<u>101,858</u>	<u>331,753</u>
Expenditures:			
Current:			
Instruction:			
Regular	77,467	-	77,467
Other	-	87,199	87,199
Support services:			
Administration	94,706	-	94,706
Operation and maintenance of plant	51,418	-	51,418
Transportation	14,171	-	14,171
Non-instructional programs	2,976	-	2,976
Total expenditures	<u>240,738</u>	<u>87,199</u>	<u>327,937</u>
Change in fund balance	(10,843)	14,659	3,816
Fund balances beginning of year	<u>149,249</u>	<u>58,366</u>	<u>207,615</u>
Fund balances end of year	<u>138,406</u>	<u>73,025</u>	<u>211,431</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Fund Assets
Nonmajor Enterprise Funds

June 30, 2014

	Enterprise Funds		
	School	Preschool	Total
	Nutrition		
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	49,770	2,211	51,981
Accounts receivable	51	628	679
Inventories	2,595	-	2,595
Total current assets	52,416	2,839	55,255
Noncurrent assets:			
Capital assets, net of accumulated depreciation	56,753	-	56,753
Total assets	109,169	2,839	112,008
Liabilities			
Current liabilities:			
Accounts payable	2,988	-	2,988
Salaries and benefits payable	16,580	2,374	18,954
Deferred revenue	2,974	-	2,974
Total liabilities	22,542	2,374	24,916
Net Position			
Net investment in capital assets	56,753	-	56,753
Unrestricted	29,874	465	30,339
Total net position	86,627	465	87,092

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	103,056	36,266	139,322
Non-instructional programs:			
Salaries	99,332	31,486	130,818
Benefits	17,599	3,676	21,275
Purchased services	6,649	-	6,649
Supplies	140,515	639	141,154
Depreciation	10,168	-	10,168
Total non-instructional programs	274,263	35,801	310,064
Operating income (loss)	(171,207)	465	(170,742)
Non-operating revenue:			
State sources	2,393	-	2,393
Federal sources	151,370	-	151,370
Total non-operating revenue	153,763	-	153,763
Change in net position	(17,444)	465	(16,979)
Net position beginning of year	104,071	-	104,071
Net position end of year	86,627	465	87,092

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	100,491	-	100,491
Cash received from preschool services	-	35,638	35,638
Cash paid to employees for services	(110,833)	(32,788)	(143,621)
Cash paid to suppliers for goods or services	(135,367)	(639)	(136,006)
Net cash (used) provided by operating activities	<u>(145,709)</u>	<u>2,211</u>	<u>(143,498)</u>
Cash flows from non-capital financing activities:			
State grants received	2,393	-	2,393
Federal grants received	142,010	-	142,010
Net cash provided by non-capital financing activities	<u>144,403</u>	<u>-</u>	<u>144,403</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,306)	2,211	905
Cash and cash equivalents at beginning of year	<u>51,076</u>	<u>-</u>	<u>51,076</u>
Cash and cash equivalents at end of year	<u><u>49,770</u></u>	<u><u>2,211</u></u>	<u><u>51,981</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(171,207)	465	(170,742)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	9,360	-	9,360
Depreciation	7,821	-	7,821
Decrease (increase) in inventories	(327)	-	(327)
Decrease (increase) in accounts receivable	(31)	(628)	(659)
(Decrease) increase in accounts payable	2,764	-	2,764
(Decrease) increase in salaries and benefits payable	6,098	2,374	8,472
(Decrease) increase in deferred revenue	(187)	-	(187)
Net cash (used) provided by operating activities	<u><u>(145,709)</u></u>	<u><u>2,211</u></u>	<u><u>(143,498)</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2013

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	241,373	28,573	269,946
Receivables:			
Property tax:			
Delinquent	-	2,332	2,332
Succeeding year	-	206,111	206,111
Due from other governments	172,441	44,566	217,007
Total assets	413,814	281,582	695,396
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	7,532	2,589	10,121
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	206,111	206,111
Income surtax	-	44,566	44,566
Total deferred inflows of resources	-	250,677	250,677
Fund balances:			
Restricted for:			
Debt service	73,000	-	73,000
School infrastructure	333,282	-	333,282
Physical plant and equipment	-	28,316	28,316
Total fund balances	406,282	28,316	434,598
Total liabilities, deferred inflows of resources and fund balances	413,814	281,582	695,396

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	176,426	176,426
Other	123	2,684	2,807
State sources	486,107	114	486,221
Total revenues	<u>486,230</u>	<u>179,224</u>	<u>665,454</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	21,085	21,085
Support services:			
Instructional staff services	-	13,056	13,056
Administration services	21,570	-	21,570
Transportation services	79,000	-	79,000
Other expenditures:			
Facilities acquisition	216,353	49,488	265,841
Total expenditures	<u>316,923</u>	<u>83,629</u>	<u>400,552</u>
Excess (deficiency) of revenues over (under) expenditures	169,307	95,595	264,902
Other financing sources (uses):			
Operating transfers out	<u>(271,302)</u>	<u>(151,504)</u>	<u>(422,806)</u>
Change in fund balance	(101,995)	(55,909)	(157,904)
Fund balances beginning of year	<u>508,277</u>	<u>84,225</u>	<u>592,502</u>
Fund balance end of year	<u><u>406,282</u></u>	<u><u>28,316</u></u>	<u><u>434,598</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Band revolving	569	437	994	-	12
K-5 vocal music	-	245	317	75	3
Athletics	204	37,795	31,862	-	6,137
Yearbook	220	1,186	599	1	808
HS student council	-	4,074	2,673	126	1,527
N.H.S./fund balance	251	-	165	-	86
SES (dance team)	280	-	-	(1)	279
Cheerleaders	863	845	1,028	(1)	679
Ag. club	32,949	39,157	34,365	190	37,931
Tag fund raising	14	-	-	-	14
Foreign language club	1,558	370	685	-	1,243
MS student council	1,366	254	21	-	1,599
Savings interest	14	-	-	(14)	-
FFA wildflower co-op	1,922	-	-	(1,922)	-
Tatu (stand)	386	-	-	-	386
Band room fund raiser	447	-	-	2	449
OJ book fairs	1	-	-	(1)	-
Fine arts	1,912	3,053	2,851	(1)	2,113
Elementary (pop account)	2,590	1,300	1,081	(1)	2,808
Art fund	(1)	-	-	1	-
Art club	299	-	-	114	413
Interest	114	125	-	(239)	-
High school incentives	1,446	471	707	838	2,048
Elementary book fair	609	-	-	(1)	608
Elementary fundraiser combined	7,187	1,916	2,288	-	6,815
Elementary box top	1,816	2,569	444	(75)	3,866
BELC donation fund combined	595	-	50	1	546
Middle school incentives	-	2,129	1,737	-	392
Print cartridge fund	-	49	-	-	49
Kelly Block-Davidson memorial	251	-	-	-	251
Cross country club	-	261	-	-	261
MS/HS staff beverage machine	-	752	740	-	12
Class of 2009	1	-	-	(1)	-
Class of 2010	(1)	-	-	1	-
Class of 2011	(1)	-	-	1	-
Class of 2012	(858)	-	-	858	-
Class of 2013	451	-	-	(451)	-
Class of 2014	912	1,774	2,312	-	374
Class of 2015	-	3,096	2,280	-	816
Class of 2016	-	-	-	500	500
Totals	58,366	101,858	87,199	-	73,025

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,511,046	2,570,140	3,509,930	3,570,141	3,497,091	3,385,477	3,346,942	3,352,829	3,142,356	3,284,634
Tuition	292,189	175,015	148,149	213,034	156,044	136,663	155,580	164,339	107,249	103,064
Other	249,320	179,834	223,579	229,186	200,348	248,559	306,207	278,862	248,238	205,937
State sources	3,633,728	3,198,107	2,978,311	2,813,507	2,490,223	3,034,292	2,935,668	2,659,188	2,730,699	2,818,011
Federal sources	205,975	260,694	314,210	636,617	343,809	227,871	244,829	244,016	268,619	260,998
Total revenues	<u>6,892,258</u>	<u>6,383,790</u>	<u>7,174,179</u>	<u>7,462,485</u>	<u>6,687,515</u>	<u>7,032,862</u>	<u>6,989,226</u>	<u>6,699,234</u>	<u>6,497,161</u>	<u>6,672,644</u>
Expenditures:										
Instruction:										
Regular	2,385,471	2,369,186	2,569,474	2,449,694	2,399,355	2,189,114	2,211,829	2,519,018	2,392,213	2,396,800
Special	950,680	1,125,564	959,740	888,180	873,610	1,047,891	1,019,536	866,378	842,127	892,618
Other	719,153	788,173	767,385	656,271	708,391	532,833	765,087	762,651	748,183	618,321
Support services:										
Student	160,546	162,226	180,407	166,347	128,501	131,945	304,769	285,577	291,357	264,784
Instructional staff	146,375	139,156	83,104	83,467	73,851	76,631	86,282	192,303	247,796	138,643
Administration	751,794	677,603	554,163	508,933	593,876	555,995	730,835	878,838	865,207	710,244
Operation and maintenance	461,453	421,354	441,103	636,566	504,299	524,515	570,287	623,125	633,546	554,315
Transportation	614,284	534,810	513,766	537,035	373,708	476,350	536,759	533,177	448,985	382,458
Non-instructional programs	2,976	2,976	-	-	-	-	5,550	-	-	-
Other expenditures:										
Facilities acquisition	265,841	456,396	520,278	2,391,327	1,624,726	371,935	326,577	204,622	317,742	284,010
Long-term debt:										
Principal	140,427	98,233	100,154	50,000	-	-	-	-	-	-
Interest and other charges	121,484	122,865	114,142	96,847	-	-	-	-	-	-
AEA flowthrough	223,492	211,011	212,382	241,379	240,008	223,009	218,416	212,007	205,468	207,443
Total expenditures	<u>6,943,976</u>	<u>7,109,553</u>	<u>7,016,098</u>	<u>8,706,046</u>	<u>7,520,325</u>	<u>6,130,218</u>	<u>6,775,927</u>	<u>7,077,696</u>	<u>6,992,624</u>	<u>6,449,636</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Midland Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midland Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midland Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Midland Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midland Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Midland Community School District's Responses to the Findings

Midland Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Midland Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Midland Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 27, 2015

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the support services and non-instructional functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 14-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

	\$	\$
Beginning balance		508,277
Revenues/transfers in:		
Statewide sales, services and use tax revenue	486,107	
Other local revenues	<u>123</u>	486,230
Expenditures/transfers out:		
School infrastructure construction	216,353	
Equipment	100,570	
Transfers to debt service fund	<u>271,302</u>	<u>588,225</u>
Ending balance		<u>407,282</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.